

TWINING MASON TURNER
FIRE DEPARTMENT
Arenac County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2008

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Twining Mason Turner Fire Department	County Arenac
Fiscal Year End March 31, 2008	Opinion Date May 30, 2008	Date Audit Report Submitted to State June 5, 2008	

We affirm that:


We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO Check each applicable box below. (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 - ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 - ☒ ☐ The local unit has adopted a budget for all required funds.
 - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
 - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
 - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 - ☒ ☐ The local unit is free of repeated comments from previous years.
 - ☒ ☐ The audit opinion is UNQUALIFIED.
 - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
 - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.		Telephone Number 989-894-1040	
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686		City Bay City	State MI
Authorizing CPA Signature 		Printed Name Mark J. Campbell	Zip 48707
		License Number 1101007803	

TWINING MASON TURNER FIRE DEPARTMENT
Arenac County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

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INDEPENDENT AUDITOR'S REPORT

May 30, 2008

To the Fire Board
Twining Mason Turner Fire Department
Arenac County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Twining Mason Turner Fire Department, Arenac County, Michigan as of and for the year ended March 31, 2008, which collectively comprise the Department's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Twining Mason Turner Fire Department's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Twining Mason Turner Fire Department, Arenac County, Michigan as of March 31, 2008, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TWINING MASON TURNER FIRE DEPARTMENT
Arenac County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2008

The Management's Discussion and Analysis report of the Twining Mason Turner Fire Department covers the Department's financial performance during the year ended March 31, 2008.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2008, totaled \$78,424.85 for governmental activities. Total revenues were \$39,536.10. The net decrease in net assets of \$4,454.53 included a \$8,948.11 depreciation expense.

We did not incur any new debt.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Department and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Department in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Department as a whole using accounting methods used by private companies. The statement of net assets includes all of the Department's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

TWINING MASON TURNER FIRE DEPARTMENT
Arenac County, Michigan

CONDENSED FINANCIAL INFORMATION

For the year ended March 31, 2008

	<u>Total</u> <u>Governmental</u> <u>Activities</u> <u>2008</u>
Current Assets	22 370
Capital Assets	<u>56 055</u>
Total Assets	<u>78 425</u>
Current Liabilities	-
Non-current Liabilities	<u>-</u>
Total Liabilities	<u>-</u>
Net Assets:	
Invested in Capital Assets	56 055
Unrestricted	<u>22 370</u>
Total Net Assets	<u><u>78 425</u></u>

	<u>Total</u> <u>Governmental</u> <u>Activities</u> <u>2008</u>
Program Revenues:	
Fees and Charges for Services	35 785
General Revenues:	
Interest	650
Miscellaneous	<u>3 101</u>
Total Revenues	<u>39 536</u>
Program Expenses:	
Public Safety	<u>43 991</u>
Total Expenses	<u>43 991</u>
Increase (Decrease) in Net Assets	(4 455)
Net Assets, April 1	<u>82 880</u>
Net Assets, March 31	<u><u>78 425</u></u>

TWINING MASON TURNER FIRE DEPARTMENT
Arenac County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2008

FUND FINANCIAL STATEMENTS

There are no fund financial statements as the Department has only one fund.

FINANCIAL ANALYSIS OF THE DEPARTMENT AS A WHOLE

During the year, the Department's financial position remained stable.

FINANCIAL ANALYSIS OF THE DEPARTMENT'S FUNDS

The Department has only one fund. Please refer to the financial highlights section of this report for summary information or refer to the financial statement for more detailed information about the financial position and results of operations of our Department.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Department invested \$3,300.53 in capital assets in the current fiscal year.

The Department paid \$0 in principal on long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

Future funding of the Department is dependent on the financial support from and the financial stability of Turner and Mason Townships.

CONTACTING THE DEPARTMENT'S MANAGEMENT

This financial report is designed to provide our investors and customers with a general overview of the Department's finances and to demonstrate the Department's accountability for the revenues it receives. If you have any questions concerning this report, please contact the Department at P.O. Box 229, Twining, Michigan 48766.

TWINING MASON TURNER FIRE DEPARTMENT
Arenac County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2008

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	15 066 06
Prepaid expenditures	<u>7 304 00</u>
Total Current Assets	<u>22 370 06</u>
NON-CURRENT ASSETS:	
Capital Assets	85 191 90
Less: Accumulated Depreciation	<u>(29 137 11)</u>
Total Non-current Assets	<u>56 054 79</u>
TOTAL ASSETS	<u><u>78 424 85</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES	<u>-</u>
Total Current Liabilities	<u>-</u>
NON-CURRENT LIABILITIES	<u>-</u>
Total Non-current Liabilities	<u>-</u>
Total Liabilities	<u>-</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	56 054 79
Unrestricted	<u>22 370 06</u>
Total Net Assets	<u>78 424 85</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>78 424 85</u></u>

The accompanying notes are an integral part of these financial statements.

TWINING MASON TURNER FIRE DEPARTMENT
Arenac County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended March 31, 2008

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS			
Governmental Activities:			
Public safety	<u>43 990 63</u>	<u>35 785 00</u>	<u>(8 205 63)</u>
Total Governmental Activities	<u>43 990 63</u>	<u>35 785 00</u>	<u>(8 205 63)</u>
General Revenues:			
Interest			650 34
Miscellaneous			<u>3 100 76</u>
Total General Revenues			<u>3 751 10</u>
Change in net assets			(4 454 53)
Net assets, beginning of year			<u>82 879 38</u>
Net Assets, End of Year			<u>78 424 85</u>

The accompanying notes are an integral part of these financial statements.

TWINING MASON TURNER FIRE DEPARTMENT
Arenac County, Michigan

BALANCE SHEET – GOVERNMENTAL FUND
March 31, 2008

	<u>Total (General)</u>
<u>Assets</u>	
Cash in bank	15 066 06
Prepaid expenditures	<u>7 304 00</u>
Total Assets	<u>22 370 06</u>
<u>Liabilities and Fund Equity</u>	
Liabilities	<u>-</u>
Total liabilities	<u>-</u>
Fund equity:	
Fund balance:	
Unreserved:	
Undesignated	<u>22 370 06</u>
Total fund equity	<u>22 370 06</u>
Total Liabilities and Fund Equity	<u>22 370 06</u>

The accompanying notes are an integral part of these financial statements.

TWINING MASON TURNER FIRE DEPARTMENT
Arenac County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUND
TO THE STATEMENT OF NET ASSETS
March 31, 2008

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	22 370 06
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	85 191 90
Accumulated depreciation	<u>(29 137 11)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u>78 424 85</u>

The accompanying notes are an integral part of these financial statements.

TWINING MASON TURNER FIRE DEPARTMENT
Arenac County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
GOVERNMENTAL FUND
Year ended March 31, 2008

	<u>Total (General)</u>
Revenues:	
Township of Turner	17 500 00
Township of Mason	17 500 00
Charges for services	785 00
Interest	650 34
Miscellaneous	<u>3 100 76</u>
Total revenues	<u>39 536 10</u>
Expenditures:	
Public safety:	
Fire protection:	
Fire runs	7 930 00
Fire Board	360 00
Bookkeeping	400 00
Supplies	538 93
Gas and oil	1 337 24
Telephone	853 13
Insurance	7 530 00
Utilities	5 799 52
Repairs and maintenance	4 624 79
Professional services	962 91
Miscellaneous	106 00
Payments to other units	4 600 00
Capital outlay	<u>3 300 53</u>
Total expenditures	<u>38 343 05</u>
Excess of revenues over expenditures	1 193 05
Fund balance, April 1	<u>21 177 01</u>
Fund Balance, March 31	<u><u>22 370 06</u></u>

The accompanying notes are an integral part of these financial statements.

TWINING MASON TURNER FIRE DEPARTMENT
Arenac County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES

Year ended March 31, 2008

NET CHANGE IN FUND BALANCE – TOTAL GOVERNMENTAL FUND	1 193 05
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(8 948 11)
Capital Outlay	<u>3 300 53</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>(4 454 53)</u></u>
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The accompanying notes are an integral part of these financial statements.

TWINING MASON TURNER FIRE DEPARTMENT
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Twining Mason Turner Fire Department, Arenac County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Department contain all the Department funds that are controlled by or dependent on the Department's executive or legislative branches.

The reporting entity is the Twining Mason Turner Fire Department. The Department is governed by an appointed Fire Board. As required by generally accepted accounting principles, these financial statements present the Department as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Department's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TWINING MASON TURNER FIRE DEPARTMENT
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

The Department reports only one fund as follows:

The General Fund is used to record the operations of the Department which pertain to maintaining and operating the Department. Included are all transactions related to the approved current operating budget.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Department. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

The Department does not levy any property taxes.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Capital Assets

Capital assets are defined by the Department as assets with an initial cost of more than \$500.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Equipment	5-10 years
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Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Department provides no post-employment benefits to past employees.

TWINING MASON TURNER FIRE DEPARTMENT
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Fire Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Fire Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Fire Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Fire Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Department to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

TWINING MASON TURNER FIRE DEPARTMENT
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 3 – Deposits and Investments (continued)

The Department has designated one financial institution for the deposit of Department funds. The investment policy adopted by the Fire Board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Department's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>15 068 06</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	15 688 47
Uninsured and Uncollateralized	<u>-</u>
Total Deposits	<u>15 688 47</u>

The Fire Department did not have any investments as of March 31, 2008.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Department manages its exposure to interest rate risk is by participating in financial institution pooled funds and in mutual funds which hold diverse investments that are authorized by law for direct investments.

Concentration of Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The financial institution pooled funds and the mutual funds do not have a rating provided by a nationally recognized statistical rating organization.

The investment policy of the Department contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and the Department's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits.

TWINING MASON TURNER FIRE DEPARTMENT
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

Note 3 – Deposits and Investments (continued)

Custodial Credit Risk (continued)

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the Department's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investment, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

Note 4 – Capital Assets

Capital asset activity of the Department's Governmental activities for the current year was as follows:

	Balance 4/1/07	Additions	Deletions	Balance 3/31/08
<u>Governmental Activities:</u>				
Equipment	81 891 37	3 300 53	-	85 191 90
Total	81 891 37	3 300 53	-	85 191 90
Accumulated Depreciation	(20 189 00)	(8 948 11)	-	(29 137 11)
Net Capital Assets	<u>61 702 37</u>	<u>(5 647 58)</u>	<u>-</u>	<u>56 054 79</u>

Note 5 – Deferred Compensation Plan

The Department does not have a deferred compensation plan.

Note 6 – Risk Management

The Department is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Department has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 7 – Pension Plan

The Department does not have a pension plan.

Note 8 – Lease

The Fire Department has a lease with the Village of Twining for facilities and equipment located in the Village of Twining, Arenac County, Michigan. The lease term is indefinite and the Fire Department is required to pay \$1 annually.

TWINING MASON TURNER FIRE DEPARTMENT
Arenac County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Township of Turner	17 500 00	17 500 00	17 500 00	-
Township of Mason	17 500 00	17 500 00	17 500 00	-
Charges for services	12 00	785 00	785 00	-
Interest	390 00	704 95	650 34	(54 61)
Miscellaneous	1 700 00	3 100 76	3 100 76	-
Total revenues	<u>37 102 00</u>	<u>39 590 71</u>	<u>39 536 10</u>	<u>(54 61)</u>
Expenditures:				
Public safety:				
Fire protection	33 801 47	35 060 01	35 042 52	(17 49)
Capital outlay	<u>3 300 53</u>	<u>3 300 53</u>	<u>3 300 53</u>	<u>-</u>
Total expenditures	<u>37 102 00</u>	<u>38 360 54</u>	<u>38 343 05</u>	<u>(17 49)</u>
Excess (deficiency) of revenues over expenditures	-	1 230 17	1 193 05	(37 12)
Fund balance, April 1	<u>-</u>	<u>-</u>	<u>21 177 01</u>	<u>21 177 01</u>
Fund Balance, March 31	<u>-</u>	<u>1 230 17</u>	<u>22 370 06</u>	<u>21 139 89</u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

May 30, 2008

To the Fire Board
Twining Mason Turner Fire Department
Arenac County, Michigan

We have audited the financial statements of the Twining Mason Turner Fire Department for the year ended March 31, 2008. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Twining Mason Turner Fire Department in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Fire Board
Twining Mason Turner Fire Department
Arenac County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

The Fire Department's system of internal control is affected by the size of the staff that it can employ.

The ultimate accounting system would include enough employees to completely segregate all aspects of each transaction. Different departments or individuals would handle: transaction authorization, transaction execution, asset handling, recording of transactions, review of transactions and subsequent control of assets.

The Fire Department cannot enact a complete segregation of all aspects of each transaction due to the nature of local units of government. The "cost to benefit" relationship also would not justify a complete segregation of all duties.

We recommend that the Fire Board Members understand these circumstances when performing their oversight responsibilities.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Department's financial statements and this communication of these matters does not affect our report on the Department's financial statements, dated March 31, 2008.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants